

**UNIVERSITY OF VICTORIA
POLICY MANUAL**

**UNIVERSITY OF VICTORIA
FOUNDATION STATEMENT OF
INVESTMENT OBJECTIVES AND
GUIDELINES**

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**UNIVERSITY OF VICTORIA FOUNDATION STATEMENT OF INVESTMENT
OBJECTIVES AND GUIDELINES**

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1. INTRODUCTION

1.1 Purpose of the Investment Policy

The purpose of the fund investment policy (“the Policy”) is to provide a framework for management of the Endowment Fund (“the Fund”) to achieve a return objective within levels of risk acceptable to the Foundation Board (“the Board”).

A major goal of this Policy statement is to establish ongoing communication between the Board and the investment managers. Effective communication will contribute to management of the portfolio in a manner that is consistent with market conditions and with the objectives of the Board. Consultation between the parties will take the form of regular meetings supplemented, from time to time, by informal contact requested by the parties. The Board may appoint one or more investment consultants to assist in developing and maintaining this investment Policy, measuring investment performance and enhancing the dialogue with the investment managers.

1.1 Nature of the Fund

In order to establish an appropriate policy for the investment and administration of the assets within the Foundation, it is important to understand the nature of the Foundation and any ongoing obligations. Accordingly, this section of the Policy summarizes various aspects of the Foundation that impact investment return requirements and risk tolerance.

The University of Victoria Foundation was created by the *University of Victoria Foundation Act*, 1954 (“the Act”). The Act was amended March 10, 2005.

The purpose of the Foundation is to encourage financial support of the University through donations from individuals, corporations, and foundations to fund scholarships, bursaries and other University purposes; and to promote a continuing interest in the University and in higher education in general.

The Board has adopted an Endowment Management Policy, which intends to:

- protect the value of the Fund against inflation over time so that the donor is aware that the donation will continue to work for the benefit of the University for generations to come; and
- provide stability in the earnings distribution to allow both the recipients and the University to plan ahead knowing what funds will be made available each year.

Accordingly, the Board has adopted the following general investment objectives:

- preservation of capital in real terms;
- generation of sufficient annual cash flow to meet expenditure objectives; and
- growth of cash flow to meet rising costs over the long term.

The objectives have competing demands for current cash flow and long-term asset growth. In order to achieve them, the Board has adopted a long-term asset mix policy and guidelines which are expected to create sufficient cash flow to provide for annual distribution while maintaining the Fund’s contributed capital and earnings stream in real terms.

Operationally, the objectives are to be achieved by adopting an investment framework that emphasizes total return (income and capital gains).

Under the Endowment Management Policy, the Board has adopted a spending policy that considers each of the following factors:

- the current level of endowment distributions;
- total investment return net of expenses;
- total available expendable funds;
- both the four-year average and current trend in changes to the Canadian CPI; and
- capitalization amount.

On an individual fund basis, if the level of award that results from the application of the spending rate would result in the fund having a total value less than 80% of the original donation, the distribution of that fund will be reduced accordingly. This may result in some funds with no distribution for any given year.

2. ASSET MIX AND DIVERSIFICATION POLICY

2.1 Long Term Goal

The long-term investment goal of the Fund is to achieve a minimum annualized rate of return net of management fees and expenses of four and half percentage points in excess of the Canadian Consumer Price Index. This goal is consistent with the investment risk the Fund can assume in order to maintain the purchasing power of awards/expenditures. To achieve this goal, the Fund has adopted an asset mix that has a bias to equity investments but also includes alternative investments. Unsystematic risk is mitigated by investing in a well-diversified portfolio of asset classes, securities within these asset classes, as well as utilizing a multi-manager structure.

2.2 Fund Objective and Asset Mix Guidelines

The investment performance objective of the Fund is to earn a return over rolling four-year periods that exceeds the total return (including reinvested dividends and income but net of management fees) of a benchmark portfolio. The benchmark return is based on rates of return on capital market indices, as outlined in Section 5.1.

The following table presents the Fund asset mix guidelines, based on market values under normal market conditions. If a manager believes the quality and/or portfolio diversification guidelines (including the maximum restrictions in short term investments) are inappropriate for anticipated market conditions, the manager is responsible for advising the Board that a change in guidelines is desirable and the reasons for the proposed changes.

ASSET MIX GUIDELINES			
	Minimum %	Target %	Maximum %
Global Equities	44	55	66
Real Estate	0	10	15
Infrastructure	0	15	20
Fixed Income	15	<u>20</u>	25
TOTAL FUND		100	

Included in the Fixed Income Target of the above Asset Mix Guidelines is a forthcoming loan to the University of Victoria for the purposes of building student housing (“the University of Victoria Housing Loan” or “the Loan”). The Loan is expected to comprise no greater than 10% of the assets of the Total Fund. The assets for the Loan will be managed by the Fixed Income Manager until the Loan is funded.

2.3 Manager Rebalancing Guidelines

The assets of the Fund are managed by managers with different mandates. In order to ensure adequate diversification by both asset class and manager, the Board has established the following parameters to guide the allocation of assets to each of the Fund’s investment managers.

MANAGER REBALANCING GUIDELINES			
(% of Market Value – excluding the Infrastructure assets)			
Manager	Minimum%	Target %	Maximum %
Global Equity Manager 1	18	23	28
Global Equity Manager 2	18	23	28
Global Equity Manager 3	13	19	23
Fixed Income Manager	17	23	29
Real Estate Manager	0	<u>12</u>	18
TOTAL (ex-Infrastructure)		100	

Cash allocation, Fund asset mix and manager rebalancing will be overseen by the Finance Office of the University of Victoria and implemented by the custodian. If the individual managers are within their prescribed ranges at month end, cash flow will be allocated to/from the managers based on the managers’ target weights. If an individual manager is outside the range, cash flow will be directed to/from that manager to bring the manager back within the guidelines and halfway to the target weight. If expected cash inflows (withdrawals) are insufficient to achieve the desired result, cash will be obtained from the manager with the greatest variance from the target weight.

The rebalancing guidelines are intended to assist in managing the asset mix and limit transaction costs during times of regular market volatility. These guidelines are intended to be flexible when capital markets are extremely volatile. The Board can review or suspend these guidelines if they deem it is appropriate. Neither rebalancing for market fluctuations nor allocation of new cash flow will be used as a method to reward or express dissatisfaction with manager performance. Manager performance is a long-term measure and will be dealt with during manager performance reviews.

3. **PERMITTED AND PROHIBITED INVESTMENTS**

3.1 General Guidelines

The investments of the Fund must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of the *University of Victoria Foundation Act* and the *Trustee Act*.

In general and subject to the restrictions noted in this section and the individual investment manager mandates provided in the Appendices, the Fund may invest in any of the following asset classes and investment instruments:

3.2 Global Equities

- preferred, common and convertible preferred stock, listed on a recognized exchange;
- debentures convertible into common or convertible preferred stock;
- rights, warrants and special warrants for common or convertible preferred stock;
- installment receipts, American Depository Receipts and Global Depository Receipts;
- exchange traded funds (e.g. iShares S&P/TSX 60 ETF and SPDR ETFs) ;
- income trusts (in jurisdictions that provide limited liability protection);
- participation notes;
- interest in limited partnerships;
- initial public offerings (IPOs);
- real estate investment trusts; and
- 144A securities and private placements for new issues and secondary offerings.

3.3 Fixed Income (not including the University of Victoria Housing Loan)

As the Fixed Income mandate will consist of a core plus bond mandate within a pooled fund, the investment policy of the pooled fund governs the Permitted Investments. As of the date of this policy, the Permitted Investments of the core plus bond pooled fund are:

- Canada, U.S. and foreign government and corporate fixed income securities;
- asset-backed securities;
- infrastructure debt;
- commercial mortgages;
- derivatives, such as, but not limited to, swaps, options, credit-linked notes, futures and forwards; and
- convertible bonds, loans.

3.4 University of Victoria Housing Loan

- private loans not exceeding \$45 million extended by the University of Victoria Foundation to the University of Victoria to partially fund student housing.

3.5 Real Estate

- real property, held through open- or closed-end pooled funds, shares of corporations or partnerships formed for institutional funds to invest in real estate or publicly traded real estate investment trusts.

3.6 Infrastructure

- tangible assets that provide key services to an economy, that are expected to provide long term stable cash flows; and
- infrastructure investments shall be held through open or closed-end pooled funds structured as shares of corporations or limited partnerships formed for institutional funds to invest in infrastructure assets.

3.7 Cash and Short-Term Investments

- cash on hand and demand deposits with term to maturity of less than one year;
- treasury bills issued by the federal and provincial governments and their agencies with term to maturity of less than one year;
- obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances; and
- commercial paper and term deposits with term to maturity of less than one year.

3.8 Derivatives

Any use of derivative investments must be in accordance with this Policy whether done directly in the Fund or in a pooled fund.

The following derivative instruments are permitted:

- futures and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available; and
- forward contracts, options and swap agreements with financial institutions that satisfy the credit standards of the Policy defined in Section 3.10 with respect to cash equivalents and fixed income.

Derivative instruments may be used only to:

- create an asset mix position within the ranges and among the asset classes set out in this Policy;
- adjust the duration and/or credit exposure of the fixed income portfolio within the ranges set out in this Policy;
- replicate the investment performance of interest rates on a recognized capital market index;
- increase the Fund's current revenue by selling covered calls;
- manage and/or hedge the exposure to all foreign currencies and in aggregate the total will not exceed 100% of the account's market value at time of purchase;
- currency contracts may be purchased such that net exposure to an individual currency exceeds the underlying stock investments in that currency;
- net short positions in any individual currency may occur as a result of market movements or from transactional activity. In these instances, the Manager will take action to address the currency position as soon as practicable;
- reduce risk as part of a hedging strategy; and
- to equitize cash.

Derivative instruments may not be used to leverage the Fund. The aggregate net notional value of all the derivative instruments, excluding forward currency contracts, may not exceed 30% of the market value of the Fund.

Derivative instruments may not be used to create exposure to securities which would not otherwise be permitted under this Policy or which would be outside the limits under this Policy had the exposure been obtained in the cash markets.

Any manager investing in derivative instruments must determine the market value of that manager's exposures on a daily basis.

3.9 Other Investments

- investments in open- or closed-end pooled funds provided that the assets of such funds are permissible investments under this Policy; and
- deposit accounts of the custodian can be used to invest surplus cash holdings.

3.10 Minimum Quality Requirements

Within the investment restrictions for individual manager portfolios, including pooled funds, all portfolios should hold a prudently diversified exposure to the intended market. With the approval of the Board, the Manager may hold any part of the portfolio in one or more pooled or commingled funds managed by the Manager, provided that such pooled funds are expected to be operated within constraints reasonably similar to those described in this mandate. It is recognized by the Board that complete adherence to this mandate may not then be entirely possible; however, the Manager is expected to advise the Board in the event that the pooled fund exhibits, or may exhibit, any significant departure from the Policy or this mandate.

All investments other than University of Victoria Housing Loan, Infrastructure and Real Estate shall be reasonably liquid (i.e.: in normal circumstances they should be capable of liquidation within 3 months).

3.11 Maximum Quantity Restrictions

The following restrictions are to be respected:

Equities

- no one equity holding shall represent more than 10% of the market value of the total equity portfolio of any one manager;
- no one equity holding in a manager's portfolio shall represent more than 15% of the voting shares of a corporation;
- no one equity holding in a manager's portfolio shall represent more than 15% of the available public float of such equity security;
- private placements and 144a securities may not represent more than 10% of the market value of the total equity portfolio of any one manager;
- Not more than 10% of the market value of a manager portfolio shall be invested in countries not included in the MSCI ACWI Index; and
- Not more than 10% of the market value of a manager portfolio shall be invested in companies having market capitalization below \$1 billion (USD).

Fixed Income (not including the University of Victoria Housing Loan)

As the Fixed Income mandate will consist of a pooled fund mandate, the investment policy of the pooled fund governs the Minimum Quality Requirements. As of the date of this policy, the Minimum Quality Requirements of the bond pooled fund include:

- except for federal and provincial bonds (including government guaranteed bonds), no more than 10% of the market value of the Fixed Income Manager's portfolio may be invested in the bonds of a single issuer and its related companies;
- except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue;
- Bonds rated 'BB+' and lower rated bonds may not be purchased if the purchase would raise the 'BB+' and lower rated holdings to more than 25% of the market value of Fixed Income Manager's portfolio;
- no more than 15% of the market value of a manager's bond portfolio shall be invested in bonds denominated in unhedged foreign currencies;
- up to 20% of the market value of the Fixed Income Manager's total portfolio may be invested in its high yield corporate bonds;
- up to 20% of the market value of the Fixed Income Manager's total portfolio may be invested in emerging market debt; and
- no more than 5% of the market value of the Fixed Income Manager's portfolio shall be invested in unrated bonds.

Real Estate

- total leverage shall not exceed 40% of the market value; and
- not more than 5% of the market value of the manager's portfolio shall be invested in land held for future development.

Pooled Fund Investments

- an investment by the Fund in a single pooled fund should not exceed 10% of the market value of that fund unless provision has been made to transfer assets out of the fund 'in kind.'

3.12 Prior Permission Required

The following investments require prior permission from the Board:

- direct investments in resource properties;
- direct investments in venture capital financing; and
- derivatives other than those otherwise permitted in Section 3.8 above and those specified in the individual investment manager mandates in the Appendices.

3.13 Securities Lending

The securities of the Fund may not be loaned, except within pooled funds where the pooled fund investment policy permits securities lending. In such cases, the manager of the pooled fund must disclose the securities lending policies to the Board.

4. RESPONSIBILITIES

4.1 The Board

4.1.1 The Act assigns responsibility for management of the Foundation to the Board.

4.1.2 The Board shall:

- a) establish, amend and implement the Policy;
- b) review at least annually the Policy and make revisions where appropriate;
- c) establish an investment management structure and strategy which specifies the number of managers, types of managers and allocation of assets between managers;
- d) establish procedures for rebalancing of the asset mix as described in section 2.3 and 5.2;
- e) select, appoint, monitor and replace the external service providers (custodians, auditors, investment consultants and managers etc.) as appropriate;
- f) consider how Environmental, Social and Governance (ESG) issues are incorporated into the investment decision making process in evaluating and monitoring investment managers;
- g) ensure that the financial statements are prepared and audited on an annual basis;
- h) approve the financial statements annually; and
- i) monitor the performance and financial position of the Foundation and managers as noted in section 5.4.

4.1.3 The Board may delegate any activities relating to the responsibilities listed in section 4.1.2 to the University of Victoria staff members or external experts. Notwithstanding this delegation, the Board shall retain responsibility and shall be required to monitor as necessary the work done by others.

4.2 The Investment Managers

4.2.1 The investment managers will:

- a) invest the assets allocated to each manager in accordance with this Policy, acknowledging, however, that assets invested in pooled funds are managed in accordance with their respective pooled fund investment policies; in such cases, differences between this Policy and the respective pooled fund policies should be presented to the Board by the manager(s) at the time of hire, approved by the Board, and monitored on an on-going basis via compliance reports submitted by each manager;
- b) comply with the terms of the investment manager agreement approved and signed by the Board;
- c) meet with the Board as required and provide written reports regarding past performance, future strategies and other issues as requested;
- d) file quarterly compliance reports (see Section 5.3); and
- e) advise the Board on an on-going basis of any changes in the organization, personnel, succession plan or investment process in each case where material to the portfolio being managed for the Fund.

4.3 The Custodian

4.3.1 The custodian will:

- a) maintain safe custody over the assets of the Fund;
- b) execute the instructions of the Board, as delegated to any investment manager appointed to manage the assets of the Fund; and
- c) record income and provide monthly financial statements as required.

4.4 The Investment Consultant

4.4.1 The investment consultant will:

- a) assist in the development and implementation of the Policy and provide related research;
- b) monitor the investment performance of the Fund and the investment managers on a quarterly basis;
- c) support the Board on matters relating to investment management and administration of the Fund; and
- d) meet with the Board on a quarterly basis, or as required.

The Board has the authority to retain other consultants/suppliers, as it deems necessary from time to time.

4.5 The Finance Office

4.5.1 The Finance Office will:

- a) maintain a unitized record-keeping system to account for proportionate ownership of assets in the fund;
- b) account for additions, withdrawals and balances in the various trust accounts;
- c) manage cash flow to ensure adequate liquidity to meet the conditions of the trusts;
- d) maintain and rebalance the Fund's asset mix as outlined in Section 5.2;
- e) prepare a schedule of trust fund balances in conjunction with the annual financial audit;
- f) prepare financial statements which are subject to independent audit;
- g) liaise with donors, as appropriate, through the University of Victoria Development Office; and
- h) liaise with the investment managers, investment consultant and custodian.

4.6 The Development Office

4.6.1 The Development Office will:

- a) liaise with donors; and
- b) prepare, in conjunction with the Finance Office, annual endowment fund statements for distribution to donors.

5. MONITORING AND CONTROL

5.1 Performance Measurement

The performance of the Fund shall be measured quarterly as follows:

- time weighted rates of return;
- total returns, including realized and unrealized gains and losses and income from all sources; and
- measurement against performance objectives for the managers will normally be assessed over rolling four-year periods.

Fund Benchmark

The investment performance objective for the Fund is to earn a rate of return, net of investment management fees, that exceeds the rate of return on a benchmark portfolio. The benchmark consists of the following market index total returns weighted as indicated:

FUND BENCHMARK	
<u>Global Equity Mandate Benchmark</u> MSCI ACWI Total Return Net Index (Cdn \$)	55%
<u>Fixed Income Mandate Benchmark</u> FTSE Canada Universe Bond Index	20%
<u>Infrastructure Mandate Benchmark</u> Canadian CPI + 5%	15%
<u>Real Estate Mandate Benchmark</u> MSCI/REALPAC Canada Quarterly Property Fund Index	10%
	<u>100%</u>

Individual investment manager objectives are specified in the Appendices.

5.2 Monitoring and Rebalancing the Fund's Asset Mix

In order to ensure that the Fund operates within the guidelines stated in this Policy, the Finance Office shall monitor the asset mix on a monthly basis. Subject to the rebalancing guidelines and procedures in Section 2.3, the Finance Office will affect the rebalancing by directing net cash flows to/from the relevant manager or by transferring cash amongst managers' portfolios.

5.3 Reporting by the Investment Managers

On a calendar quarterly basis, each manager will provide a performance report and a strategy review for the portfolio under management. Each manager will also report at minimum on an annual basis how Environmental, Social and Governance factors are incorporated into the investment decision making process.

Each investment manager is also to complete and sign a compliance report each quarter. However, the Board may release a manager from this obligation. The list of managers who do not have to provide compliance reports is included in Appendix E. The compliance report should indicate whether or not the manager's portfolio was in compliance with this Policy during the quarter. Copies of the compliance reports must be sent to the University Secretary for distribution to the Board as well as to the current investment consultant for their review and records. Report formats for the compliance reports are included in the Appendices.

In the event that an investment manager is not in compliance with this Policy, the manager is required to advise the Board immediately, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation.

If the manager believes the portfolio guidelines are inappropriate for anticipated economic conditions, the manager is responsible for advising the Board that a change in guidelines is desirable and the reasons therefore.

5.4 Monitoring Investment Managers

To enable the Board to fulfill its responsibility of monitoring and reviewing the investment managers, the investment consultant will assist the Board, on an ongoing basis, in considering:

- investment managers' staff turnover, consistency of style, and record of service;
- investment managers' current economic outlook and investment strategies;
- investment managers' compliance with this Policy, where an investment manager is required to complete and sign a compliance report; and
- investment performance of the managers in relation to the rate of return expectations stated in this Policy.

6. **OTHER ISSUES**

6.1 Conflicts of Interest

Responsibilities

This standard applies to the members of the Board and the staff of the University of Victoria, as well as to all agents employed by them, in the execution of their responsibilities under the *University of Victoria Foundation Act* (the "Affected Persons").

An "agent" is defined to mean a company, organization, association or individual, as well as its employees, who are retained by the Board to provide specific services with respect to the investment, administration and management of the Fund.

Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Board prior to being earned.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the individual deals in the course of performance of his or her duties and responsibilities for the Board.

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Board Chair immediately. The Board Chair in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Board.

If the Board Chair believes that he or she may have a conflict of interest, he/she will disclose it immediately to the Vice-Chair who will decide what, if any, action is required and table the matter at the next regular meeting of the Board.

No Affected Person who has or is required to make a disclosure as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

6.2 Related Party Transactions

The Foundation may not enter into a transaction with a related party unless:

- the transaction is required for the operation or administration of the Foundation and the terms and conditions of the transaction are not less favourable to the Foundation than market terms and conditions; or
- the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Foundation.

For this section of the Policy, market value of the combined assets of the Foundation will be used as criterion to establish whether a transaction is nominal or immaterial to the Foundation. Transactions less than 0.5% of the combined market value of the assets of the Foundation are considered immaterial.

The restrictions on related party transactions do not apply in respect of investments in pooled funds.

A related party is a person who administers the Foundation, including any officer, director or employee of the administrator, or any person who is a member of the Board. It also includes the investment managers and their employees, a union representing employees of the University, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency.

Under the conflict of interest guidelines, it is incumbent on any person to notify the Board Chair if a conflict arises. Such conflict includes related party transactions.

6.3 Valuation of Securities Not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

- equities: average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter;
- bonds: same as for equities;
- real estate: a certified written appraisal from a qualified independent appraiser at least every 2 years; and
- infrastructure: a written valuation from a qualified independent source at least every 2 years.

6.4 Voting Rights

The Board has delegated voting rights acquired through fund investments to the custodian of the securities, to be exercised in accordance with the investment manager's instructions. Investment managers are expected to vote all proxies in the best interests of the beneficiaries of the Foundation.

The Board, however, may take back voting rights for specific situations.

For private placements, voting rights will be delegated to the investment manager, or voted directly by a Board representative.

The managers should disclose their proxy voting policies and report quarterly on how proxies were voted on the Foundation's behalf and if the proxy guidelines were followed and report on any material deviations.

6.5 Directed Brokerage Commissions

A variety of brokers should be used in order to gain maximum utilization of the services available. It is the responsibility of the manager to ensure that the commission distribution is representative of the services rendered.

The Foundation does not use directed commissions (i.e., soft dollars) to pay for any goods or services. Managers may use soft dollars to pay for research and other investment-related services with disclosure to the Board, provided they comply with the Soft Dollar Standards promulgated by the CFA Institute or internal guidelines, if substantially equivalent.

6.6 Reasons for Terminating an Investment Manager

Reasons for considering the termination of the services of a manager include, but are not limited to, the following factors:

- change in personnel, firm structure and investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio;
- performance results, which over a reasonable period of time, are below the stated performance benchmarks;
- changes in the overall structure of the Fund such that the manager's services are no longer required; and/or;
- failure to adhere to this Policy.

Appendix A – Fixed Income Management

Investment Objectives and Performance Standard

Objective

The objective is to earn a return that is at least 0.75% above the FTSE Canada Universe Bond Index total return (net of investment fees).

Measurement Basis and Time Frame

Investment results will be monitored and reviewed on a quarterly basis. Performance will be evaluated over moving four-year periods. The return objective is net of investment fees and includes realized and unrealized capital gains and losses plus earnings from all sources. Investment returns are measured on a time weighted basis.

General Investment Guidelines

Asset Mix

The following guidelines are based on the total portfolio at market value. Should the investment manager wish to deviate from these guidelines, or revise them, a written request should be forwarded to the Chair of the Foundation Board. The Chair will solicit Board consensus as soon as possible to respond to the request.

ASSET MIX GUIDELINES ¹		
	Minimum %	Maximum %
Canadian Federal and Provincial Government Debt	0	100
Investment Grade Corporate Bonds	0	80
Mortgages	0	20
High Yield Corporate Bonds	0	20
Emerging Markets Debt	0	20
Cash and Short-Term Investments	0	25

¹ Investments in pooled funds are deemed to be fully invested in that pooled fund's asset class even though the pooled fund may have cash reserves.

Permissible Investments

Investment in fixed income as described in Section 3 of this Policy.

Exceptions

When applying the Quality and Quantity Guidelines of this Policy, it is recognized that there may be occasions during which these guidelines are not met temporarily for valid investment reasons. It is the responsibility of the investment manager to report any violations and to recommend appropriate action.

Compliance Report

A report on compliance with this Policy is to be completed quarterly by the investment manager. The report format is included on the following page.

**UNIVERSITY OF VICTORIA FOUNDATION
FIXED INCOME MANAGEMENT
COMPLIANCE REPORT FOR THE PERIOD FROM**

_____ TO _____
(date) (date)

ASSET MIX (at Market Value)		GUIDELINES %	POLICY COMPLIED WITH (YES/NO)*
BONDS	Government	0 - 100	
	Investment Grade Corporate	0 - 80	
	High Yield Corporate	0 - 20	
	Emerging Market Debt	0 - 20	
MORTGAGES		0 - 20	
SHORT TERM INVESTMENTS		0 - 25	
CONSTRAINTS			
BONDS	- capable of liquidation within 3 months.		
	- Quantity	Except for federal or provincial bonds, max 10% in one issuer. Max 5% in unrated debt. Except for federal or provincial, max 10% of bond issue. Max 25% of portfolio market value in BB+ and lower rated bonds at time of purchase.	
	- Foreign Pay	Max 15% of the market value of the bond portfolio shall be invested in bonds denominated in unhedged foreign currencies.	
SHORT TERM INVESTMENTS	- Minimum Quality	"R-1" rating.	
DERIVATIVES		Limited to policy specifically approved by the Board	
POOLED FUNDS	- Concentration	Max 10% of the market value of the Pooled Fund.	
OTHER INVESTMENTS	- Prior Approval Required		
OTHER	- Regulatory Requirements	Firm must have the appropriate registration with the British Columbia Securities Commission to manage assets for the Foundation with no sanctions or penalties.	
CONFLICTS OF INTEREST	- Disclosure	Conflicts of interest (if any) disclosed to the Board Chair.	
	-Soft Dollar Standards	Managers may use soft dollars to pay for research and other investment-related services with disclosure to the Board, provided they comply with the Soft Dollar Standards promulgated by the CFA Institute or internal guidelines, if substantially equivalent.	

*Provide actual weight or range where appropriate. If policy not complied with, comment on specifics.

I believe this to be a factual representation of compliance with the Statement of Investment Objectives and Guidelines throughout the reporting period.

Signature

Manager Name

Name, Title

Appendix B – Global Equity Management

Investment Objective and Performance Standard

Objective

The objective is to earn a return that is at least 1% above the total return of the MSCI ACWI (Net Dividend, Cdn\$), net of investment fees.

Measurement Basis and Time Frame

Investment results will be monitored and reviewed on a quarterly basis. Performance will be evaluated over moving four-year periods. The return objective is net of investment fees and includes realized and unrealized capital gains and losses plus earnings from all sources.

Investment returns are measured on a time weighted basis.

General Investment Guidelines

Asset Mix

The following guidelines are based on the total portfolio at market value. Should the investment manager wish to deviate from these guidelines, or revise them, a written request should be forwarded to the Chair of the Foundation Board. The Chair will solicit Board consensus as soon as possible to respond to the request.

ASSET MIX GUIDELINES¹			
	Minimum %	Benchmark	Maximum %
Global Equities ²	90	100	100
Short Term Investments	0	<u>0</u>	10

¹ Investments in pooled funds are deemed to be fully invested in that pooled fund's asset class even though the pooled fund may have cash reserves.
² Includes Canada and Emerging Markets.

Permissible Investments

Investment in global equities as described in Section 3 of this Policy.

Exceptions

When applying the Quality and Quantity Guidelines of this Policy, it is recognized that there may be occasions during which these guidelines are not met temporarily for valid investment reasons. It is the responsibility of the investment manager to report any violations and to recommend appropriate action.

Compliance Report

A report on compliance with this Policy is to be completed quarterly by the investment manager. The report format is included on the following page.

**UNIVERSITY OF VICTORIA FOUNDATION
GLOBAL EQUITY MANAGEMENT
COMPLIANCE REPORT FOR THE PERIOD FROM**

_____ TO _____
(date) (date)

ASSET MIX (at Market Value)		GUIDELINES %	POLICY COMPLIED WITH (YES/NO)*
GLOBAL EQUITIES**		90 - 100	
SHORT TERM INVESTMENTS		0 - 10	
CONSTRAINTS			
EQUITIES	- Publicly traded on recognized securities market - capable of liquidation within 3 months.		
	- Diversification	Max 10% of the market value of the related equity portfolio in any single holding.	
	- Concentration	Max 15% of the voting or public float stock of any corporation.	
	- Constraints	Max 10% in countries not in MSCI ACWI index Max 10% in companies with market capitalization below \$1B USD	
SHORT TERM INVESTMENTS	- Minimum Quality	"R-1" rating.	
DERIVATIVES		Limited to policy specifically approved by the Board	
POOLED FUNDS	- Concentration	Max 10% of the market value of the Pooled Fund.	
OTHER INVESTMENTS	- Prior Approval Required		
OTHER	- Regulatory Requirements	Firm must have the appropriate registration with the British Columbia Securities Commission to manage assets for the Foundation with no sanctions or penalties.	
CONFLICTS OF INTEREST	- Disclosure	Conflicts of interest (if any) disclosed to the Board Chair.	
	-Soft Dollar Standards	If applicable, managers may use soft dollars to pay for research and other investment-related services with disclosure to the Board, provided they comply with the Soft Dollar Standards promulgated by the CFA Institute or internal guidelines, if substantially equivalent.	

*Provide actual weight or range where appropriate. If policy not complied with, comment on specifics.

**Canada is included in the allowable investment for Global Equities

I believe this to be a factual representation of compliance with the Statement of Investment Objectives and Guidelines throughout the reporting period.

Signature

Manager Name

Name, Title

Appendix C – Real Estate Management

Investment Objective and Performance Standard

Objective

The objective is to earn a return that is at least equal to the total return of the MSCI/REALPAC Canada Quarterly Property Fund Index (net of investment fees).

Measurement Basis and Time Frame

Investment results will be monitored and reviewed on a quarterly basis. Performance will be evaluated over moving four-year periods. The return objective is net of investment fees and includes realized and unrealized capital gains and losses plus earnings from all sources.

Investment returns are measured on a time weighted basis.

General Investment Guidelines

Asset Mix

The following guidelines are based on the total portfolio at market value. Should the investment manager wish to deviate from these guidelines, or revise them, a written request should be forwarded to the Chair of the Foundation Board. The Chair will solicit Board consensus as soon as possible to respond to the request.

ASSET MIX GUIDELINES ¹			
	Minimum %	Benchmark	Maximum %
Real Estate	90	100	100
Short Term Investments	0	<u>0</u>	10

¹ Investments in pooled funds are deemed to be fully invested in that pooled fund's asset class even though the pooled fund may have cash reserves.

Permissible Investments

Investment in real estate as described in Section 3 of this Policy.

Exceptions

When applying the Quality and Quantity Guidelines of this Policy, it is recognized that there may be occasions during which these guidelines are not met temporarily for valid investment reasons. It is the responsibility of the investment manager to report any violations and to recommend appropriate action.

Compliance Report

A report on compliance with this Policy is to be completed quarterly by the investment manager. The report format is included on the following page.

**UNIVERSITY OF VICTORIA FOUNDATION
REAL ESTATE MANAGEMENT
COMPLIANCE REPORT FOR THE PERIOD FROM**

_____ TO _____
(date) (date)

ASSET MIX (at Market Value)		GUIDELINES %	POLICY COMPLIED WITH (YES/NO)*
Real Estate		90 - 100	
Short Term Investments		0 - 10	
CONSTRAINTS			
REAL ESTATE	-Leverage	Max 40%	
	-Concentration	Max 10%	
	- Land held for Future Development Limited in Amount	Max 5%	
SHORT TERM INVESTMENTS	- Minimum quality	“R-1” rating	
POOLED FUNDS	- Concentration	Max 10% of the market value of the Pooled Fund	
OTHER INVESTMENTS		Prior approval required	
OTHER	- Regulatory Requirements	Firm must have the appropriate registration with the British Columbia Securities Commission to manage assets for the Foundation with no sanctions or penalties.	
CONFLICTS OF INTEREST	- Disclosure	Conflicts of interest (if any) disclosed to the Board Chair.	

*Provide actual weight or range where appropriate. If policy not complied with, comment on specifics.

I believe this to be a factual representation of compliance with the Statement of Investment Objectives and Guidelines throughout the reporting period.

Signature

Manager Name

Name, Title

Appendix D – Managers Released from Providing Quarterly Compliance Reports

Manager:	Mandate managed for UVic:	Date of Approval by the Board:
Macquarie	Infrastructure	February 25, 2014
Brookfield	Infrastructure	December 17, 2021